GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2988
ANSWERED ON:02.12.2016
Flexi Loans
Raghavan Shri M. K.

Will the Minister of FINANCE be pleased to state:

(a) the details and objectives of the newly introduced flexi pay home loans scheme by State Bank of India (SBI);
(b) the sectors on which the flexi loans would be provided by the banks; and
(c) whether the risk factors identified and solutions on such loans which are having the chances for high default in repayments and if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): The objective of the Flexi Pay Home Loans Scheme of the State Bank of India (SBI) is to reduce the stress of fixed and uniform Equated Monthly Installments (EMIs) in the intial years of repayment. The scheme offers the borrower an option of paying lower EMIs during the initial year and step up the EMIs during the susequent years. It is available to borrowers between 21 and 45 years of age who are salaried and have minimum 2 years experience.
(c): SBI has designed the scheme with respect to various risk factors and does not foresee higher default risk. It has provided additional safeguards to protect its interests. These inter-alia, includes computing the net eligible loan amount by weighing the Loan to Value (LTV) Ratio with the EMI / Net Monthly Income (NMI) Ratio, assessing the LTV Ratio by considering the lower value mentioned in the Agreement to Sale and current market value, restricting the eligibility to a maximum age of 45 thereby ensuring that the borrower has a minimum of 15 years of active service, stepping up EMI by only 5% after 6 years etc.

****